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LOCAL AUDIT & FINANCE DIV.

Pinconning Township

Bay County, Michigan

9-1120

Financial Statements

For the Year Ended
March 31, 2004



REHMANN ROBSON

Certified Public Accountants

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name PINCONNING TOWNSHIP	County BAY
Audit Date MARCH 31, 2004	Opinion Date APRIL 30, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

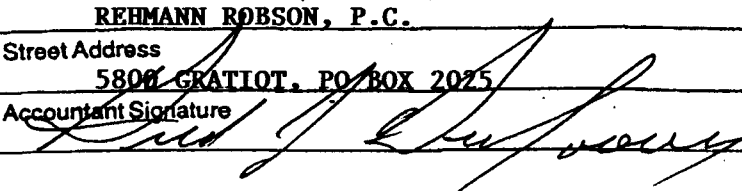
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON, P.C.		GERALD J. DESLOOVER, CPA	
Street Address 5806 GRATIOT, PO BOX 2025	City SAGINAW	State MI	ZIP 48605
Accountant Signature 			

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

April 30, 2004

To the Township Board
Pinconning Township
Bay County, Michigan

We have audited the accompanying general purpose financial statements of ***Pinconning Township, Michigan*** as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of ***Pinconning Township's*** management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "*Government Auditing Standards*", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of ***Pinconning Township, Michigan*** as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2004 on our consideration of ***Pinconning Township, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of *Pinconning Township*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Rehmann Lohman

PINCONNING TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT

March 31, 2004

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Totals (Memorandum Only)		Component Unit		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	Trust and Agency	General Assets	Long-term Debt	Primary Government	Downtown Development Authority	Reporting Entity						
Assets																
Cash and cash equivalents	\$ 228,645	\$ 80,200	\$ 228	\$ 18,939	\$ 1,611	\$ -	\$ -	\$ 329,623	\$ 32,025	\$ 361,648						
Receivables:																
Taxes	5,408	11,450	-	-	-	-	-	16,858	-	16,858						
Special assessments	-	-	-	1,022,263	-	-	-	1,022,263	-	1,022,263						
Investments	-	15,327	-	-	-	-	-	15,327	6,000	21,327						
Due from other funds	1,428	-	-	-	-	-	-	1,428	-	1,428						
Due from other governmental units	29,169	-	-	-	-	-	-	29,169	-	29,169						
Restricted assets:																
Cash and cash equivalents	-	-	-	419,305	-	-	-	419,305	-	419,305						
Fixed assets	-	-	-	3,239,821	-	930,528	-	4,170,349	-	4,170,349						
Amount available in debt service fund	-	-	-	-	-	-	228	228	-	228						
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	544,163	544,163	-	544,163						
Total assets	\$ 264,650	\$ 106,977	\$ 228	\$ 4,700,328	\$ 1,611	\$ 930,528	\$ 544,391	\$ 6,548,713	\$ 38,025	\$ 6,586,738						
Liabilities and Fund equity																
Liabilities																
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 1,428	\$ -	\$ -	\$ 1,428	\$ -	\$ 1,428						
Due to other governments	-	-	-	-	183	-	-	183	-	183						
Bonds and loans payable	-	-	-	1,892,000	-	-	544,391	2,436,391	-	2,436,391						
Total liabilities	-	-	-	1,892,000	1,611	-	544,391	2,438,002	-	2,438,002						
Fund equity																
Investment in general fixed assets	-	-	-	-	-	930,528	-	930,528	-	930,528						
Retained earnings:																
Reserved for bond and interest redemption	-	-	-	1,667,250	-	-	-	1,667,250	-	1,667,250						
Reserved for construction, improvement or expansion	-	-	-	1,141,078	-	-	-	1,141,078	-	1,141,078						
Fund balance:																
Reserved for debt service	-	-	228	-	-	-	-	228	-	228						
Unreserved:																
Designated for subsequent year's expenditures	219,612	-	-	-	-	-	-	219,612	-	219,612						
Undesignated	45,038	106,977	-	-	-	-	-	152,015	38,025	190,040						
Total fund equity	264,650	106,977	228	2,808,328	-	930,528	-	4,110,711	38,025	4,148,736						
Total liabilities and fund equity	\$ 264,650	\$ 106,977	\$ 228	\$ 4,700,328	\$ 1,611	\$ 930,528	\$ 544,391	\$ 6,548,713	\$ 38,025	\$ 6,586,738						

The accompanying notes are an integral part of these general purpose financial statements.

PINCONNING TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED MARCH 31, 2004

	General	Special Revenue	Debt Service	Totals (Memorandum Only) Primary Government	Component Unit Pinconning Township Downtown Development Authority	Totals (Memorandum Only) Reporting Entity
Revenues						
Property taxes and collection fees	\$ 78,904	\$ 100,260	\$ -	\$ 179,164	\$ 13,218	\$ 192,382
Licenses and permits	2,555	-	-	2,555	-	2,555
State revenue	189,517	1,843	-	191,360	-	191,360
Charges for services	137,343	-	-	137,343	-	137,343
Interest	950	202	10	1,162	226	1,388
Reimbursements	3,400	-	-	3,400	-	3,400
Other	14,795	-	-	14,795	-	14,795
Total revenues	427,464	102,305	10	529,779	13,444	543,223
Expenditures						
Current:						
Legislative	54,286	-	-	54,286	-	54,286
General government	84,776	-	-	84,776	-	84,776
Public safety	61,199	2,072	-	63,271	-	63,271
Public works	73,475	86,317	-	159,792	-	159,792
Other functions	14,004	-	-	14,004	5,172	19,176
Capital outlay	1,696	-	-	1,696	-	1,696
Debt service	71,262	-	28,038	99,300	-	99,300
Total expenditures	360,698	88,389	28,038	477,125	5,172	482,297
Revenues over (under) expenditures	66,766	13,916	(28,028)	52,654	8,272	60,926
Other financing sources (uses)						
Operating transfers in	-	-	28,038	28,038	-	28,038
Operating transfers (out)	(28,038)	-	-	(28,038)	-	(28,038)
Total other financing sources (uses)	(28,038)	-	28,038	-	-	-
Revenues and other sources over (under) expenditures and other uses	38,728	13,916	10	52,654	8,272	60,926
Fund balances, beginning of year	225,922	93,061	218	319,201	29,753	348,954
Fund balances, end of year	\$ 264,650	\$ 106,977	\$ 228	\$ 371,855	\$ 38,025	\$ 409,880

The accompanying notes are an integral part of these general purpose financial statements.

PINCONNING TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
AMENDED BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED MARCH 31, 2004

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property taxes and collection fees	\$ 71,132	\$ 78,904	\$ 7,772	\$ 97,000	\$ 100,260	\$ 3,260
Licenses and permits	1,800	2,555	755	-	-	-
State revenue	163,827	189,517	25,690	1,820	1,843	23
Charges for services	59,138	137,343	78,205	-	-	-
Interest	1,000	950	(50)	514	202	(312)
Reimbursements	3,000	3,400	400	-	-	-
Other	4,400	14,795	10,395	-	-	-
Total revenues	304,297	427,464	123,167	99,334	102,305	2,971
Expenditures						
Current:						
Legislative	93,803	54,286	39,517	-	-	-
General government	95,176	84,776	10,400	-	-	-
Public safety	63,650	61,199	2,451	1,834	2,072	(238)
Public works	109,091	73,475	35,616	97,500	86,317	11,183
Recreation and cultural	500	-	500	-	-	-
Other functions	13,117	14,004	(887)	-	-	-
Capital outlay	22,000	1,696	20,304	-	-	-
Debt service	99,418	71,262	28,156	-	-	-
Total expenditures	496,755	360,698	136,057	99,334	88,389	10,945
Revenues over (under) expenditures	(192,458)	66,766	259,224	-	13,916	13,916
Other financing sources (uses)						
Operating transfers (out)	(28,038)	(28,038)	-	-	-	-
Revenues and other sources over (under) expenditures and other uses	(220,496)	38,728	259,224	-	13,916	13,916
Fund balances, beginning of year	225,922	225,922	-	93,061	93,061	-
Fund balances, end of year	\$ 5,426	\$ 264,650	\$ 259,224	\$ 93,061	\$ 106,977	\$ 13,916

The accompanying notes are an integral part of these general purpose financial statements.

PINCONNING TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE

FOR THE YEAR ENDED MARCH 31, 2004

	Enterprise Fund
Operating revenues	
User fees	\$ 27,011
Payments from other governments	1,083
Reimbursements and other	<u>10,754</u>
Total operating revenues	<u>38,848</u>
Operating expenses	
Depreciation	68,166
Other	<u>6,640</u>
Total operating expenses	<u>74,806</u>
Operating (loss)	<u>(35,958)</u>
Non-operating income (expense)	
Special assessments	141,179
Interest	2,626
Interest expense	<u>(120,582)</u>
Total non-operating income (expense)	<u>23,223</u>
Net (loss)	<u>(12,735)</u>
Retained earnings, beginning of year	<u>2,821,063</u>
Retained earnings, end of year	<u><u>\$ 2,808,328</u></u>

The accompanying notes are an integral part of these general purpose financial statements.

PINCONNING TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED MARCH 31, 2004

	<u>ENTERPRISE FUND</u>
OPERATING LOSS	\$ (35,958)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	68,166
(Increase) decrease in assets:	
Special assessments receivable	<u>115,615</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>147,823</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from special assessments	141,179
Bond payments on long-term debt	(40,000)
Interest payments on long-term debt	(120,582)
Construction of fixed assets	<u>(69,913)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(89,316)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received on investments	<u>2,626</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	61,133
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>377,111</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 438,244</u></u>

The accompanying notes are an integral part of these general purpose financial statements.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the presentation of the financial report of Pinconning Township follow generally accepted accounting principles as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

REPORTING ENTITY

Pinconning Township (the "Township") operates under a Township board with five members and provides various services to approximately 2,600 residents.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and any component units, entities for which it has operational or financial relationships. Pinconning Township currently has one discretely presented component unit, the Pinconning Township Downtown Development Authority, and one blended component unit, the Building Authority.

The Pinconning Township Downtown Development Authority (the "DDA") was established pursuant to the Downtown Development Authority Act (Act 197 of 1975) as amended. An ordinance was adopted, effective June 10, 1997, which created the DDA and designated its boundaries with Pinconning Township. The DDA operates under the directorship of a board consisting of nine members appointed by the Township Supervisor. The Township Board approves the annual budget of the DDA. For the year ending March 31, 2004, the DDA collected \$13,218 of taxes and has not entered into any contracts, hired employees, issued debt, or purchased assets. Complete financial statements of the DDA can be obtained from their administrative office at P.O. Box 58, Pinconning, Michigan 48650.

The purpose of the Building Authority is to finance through loan proceeds the construction of public facilities for use by the Township, with the bonds serviced through payments from the Township. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance the construction of the Township's public buildings. The Building Authority's activity is recorded in the Debt Service fund.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

JOINTLY GOVERNED ORGANIZATIONS

Pinconning Township, the City of Pinconning, and the Township of Fraser participated jointly in the operation of the Pinconning Fraser Fire Department. The funding formula requires that each municipality share in the operational costs of the building. All of the financial operations of the fire department are recorded in the Pinconning Fraser Fire Department. The Township's appropriation to the Pinconning Fraser Fire Department for the period ending March 31, 2004 was \$50,850.

BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes of which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped in the financial statements in this report, into fund types, broad fund categories, and account groups as follows:

Governmental Funds

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The Building Authority Debt Service Fund is the only Debt Service Fund.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Proprietary Fund

Enterprise Fund

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Waterline Extension Fund is the only Enterprise Fund.

Fiduciary Fund

Trust and Agency Fund

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or agency capacity for individuals, private organizations, other governments and/or other funds.

Account Groups

General Fixed Assets Account Group

This account group is established to account for the Township's fixed assets (other than those accounted for in Proprietary Funds).

General Long-Term Debt Account Group

This account group is established to account for all long-term obligations of the Township, except those accounted for in Proprietary Funds.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Governmental Funds

All governmental funds and the agency fund are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include taxpayer-assessed income, state and federal sources, and intergovernmental revenues.

Expenditures are generally recognized, under the modified accrual basis of accounting, when the related fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is shown as retained earnings. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for the General and Special Revenue Funds. The operating budgets are adopted by activity. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted or as amended by the Township Board in accordance with the state and local laws.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by a Township Board resolution for the ensuing fiscal year in accordance with Public Act 621 of the State of Michigan.
4. Any revisions must be approved by the Township Board.

ENCUMBRANCES

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

CASH EQUIVALENTS

Cash equivalents are all highly liquid investments such as bank savings accounts and certificates of deposits with an original maturity of three months or less. Other investments, if any, with an original maturity of three months or less are also considered cash equivalents. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Michigan law authorizes the Township to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

INVESTMENTS

Investments are stated at fair value.

RECEIVABLES

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided because collection is not considered doubtful and any uncollectible amounts would be immaterial.

DUE TO AND DUE FROM OTHER FUNDS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

RESTRICTED ASSETS

Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited by the various bond covenants and restrictions and Township board resolutions.

FIXED ASSETS

Governmental Funds

General fixed assets in governmental fund type operations are not capitalized in the funds used to acquire or construct them. Capital outlay and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Asset Account Group. All purchased fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair value on the date received.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

Proprietary Funds

Property and equipment acquired by Proprietary Funds are recorded as fixed assets, at cost or, if donated, fair value. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits and bond interest costs.

Depreciation on property and equipment recorded in the Proprietary Fund is computed using the straight-line method over the estimated useful lives of the related assets.

LONG-TERM OBLIGATIONS

The Township reports long-term debt of governmental funds at face value in the general long term debt account group. Long term debt and other obligations financed by proprietary funds are reported as liabilities in those funds.

FUND EQUITY

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Designated fund balances represent tentative plans for future use of financial resources. Reserved fund balance for governmental funds represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represents the net assets that have been legally identified for specific purposes.

SPECIAL ASSESSMENTS

In the Enterprise Fund, special assessments are recorded as revenues when levied.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements - are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT NO. 20

The Township applies all applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting for its proprietary operations.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund and Special Revenue Funds had expenditures exceeding budgeted appropriations at the activity level, which is the Township's legal level of budgetary control for the year ended March 31, 2004 as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
GENERAL FUND			
Payroll taxes	\$ 5,000	\$ 5,887	\$ 887
SPECIAL REVENUE FUNDS			
Liquor inspections	1,834	2,072	238

3. DEPOSITS AND INVESTMENTS

The Township's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

	<u>Balance Sheet Classifications</u>		
	<u>Deposits</u>	<u>Petty Cash</u>	<u>Total</u>
Cash and cash equivalents	\$ 361,548	\$ 100	\$ 361,648
Investments	21,327	-	21,327
Restricted assets:			
Cash and cash equivalents	<u>419,305</u>	<u>-</u>	<u>419,305</u>
	<u>\$ 802,180</u>	<u>\$ 100</u>	<u>\$ 802,280</u>

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The carrying amount of the Township's deposits with financial institutions was \$802,180 and the bank balance was \$789,685. The bank balance is categorized as follows:

Insured by the FDIC	\$ 200,000
Uncollateralized and uninsured	<u>589,685</u>
Total bank balance	<u>\$ 789,685</u>

The Township's deposits are in accordance with statutory authority.

4. FIXED ASSETS

General Fixed Assets Account Group

A summary of changes in general fixed assets is as follows:

	Balance April 1, 2002	Additions	Deletions	Balance March 31, 2003
Land and improvements	\$ 112,545	\$ -	\$ -	\$ 112,545
Building and improvements	704,492	-	-	704,492
Furniture and equipment	<u>113,491</u>	<u>-</u>	<u>-</u>	<u>113,491</u>
Totals	<u>\$ 930,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 930,528</u>

PROPRIETARY FUND FIXED ASSETS

The following is a summary of proprietary fund type fixed assets at March 31, 2004:

Water distribution system	\$ 3,268,982
Equipment	<u>39,005</u>
	3,307,987
Less accumulated depreciation	<u>68,166</u>
Proprietary Fund fixed assets, net	<u>\$ 3,239,821</u>

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

5. LONG-TERM DEBT

The general long-term debt of the Township at March 31, 2004 is comprised of the following:

Building Authority Loan

The Pinconning Township Building Authority has entered into a contract with the USDA-Rural Development to provide for the construction and financing of a township building. The Township is obligated to pay for any construction costs over the \$500,000 loan. The loan requires annual payments of \$5,000 to \$27,000 starting April 1, 2003 and continuing through April 1, 2040; interest at 4.75% is payable semi-annually on April 1 and October 1 of each year.

Bank Loan

The Township entered into a land contract with the Pinconning Township Building Authority for the purchase of a parcel of land situated in the Township for \$75,000. The Pinconning Township Building Authority assigned the rights to the land contract to Chemical Bank. Chemical Bank, in turn, loaned the Township \$75,000. The proceeds of this loan are to be used for the cost over-rides on the building construction. Payments of \$7,677, including interest at 5.91%, are due each November 1 starting in 2001 and extend until November 1, 2005 when the remaining balance is payable in full. The Township owns another parcel of land and is attempting to sell it. The proceeds from this sale would be used to pay off the loan. Until the sale, the obligation will be repaid from General Fund revenues.

The long-term debt of the Waterline Extension Enterprise Fund at March 31, 2004 is comprised of the following:

Water Supply System Revenue Bonds

The Township has entered into a contract with the USDA-Rural Development to provide for the construction and financing of a water supply system. The revenue bonds were issued November 1, 2001 and require annual payments of \$5,000 to \$31,000 starting May 1, 2003 and continuing through May 1, 2041; interest at 5.00% is payable semi-annually on May 1 and November 1 of each year.

Special Assessment Limited Tax Bonds

The Township has issued special assessment bonds to provide for the construction and financing of a water supply system. The bonds were issued November 1, 2001 and require annual payments of \$25,000 to \$36,000 starting May 1, 2003 and continuing through May 1, 2041; interest at 4.75% is payable semi-annually on May 1 and November 1 of each year. The bonds are to be repaid from special assessments to the residents.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

	<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>	<u>Balance April 1 2003</u>	<u>Additions (Deductions)</u>	<u>Balance March 31, 2004</u>
<u>GENERAL LONG-TERM DEBT:</u>							
Building Authority Loan	4.75%	8/21/00	4/01/40	\$ 500,000	\$ 485,000	\$ (5,000)	\$ 480,000
Chemical Bank Loan	5.91%	11/22/00	11/01/05	75,000	68,046	(3,655)	64,391
Bay County Road Commission Road Chip-Seal Agreement		8/31/01	12/01/03	56,492	<u>39,548</u>	<u>(39,548)</u>	<u>-</u>
Total General Long-term Debt					<u>\$ 592,594</u>	<u>\$ (48,203)</u>	<u>\$ 544,391</u>
<u>PROPRIETARY FUND:</u>							
Water Supply System							
Revenue Bonds	5.00%	11/01/01	5/01/41	\$ 555,000	\$ 550,000	\$ (5,000)	\$ 545,000
Special Assessment Bonds	4.75%	11/01/01	5/01/41	1,377,000	<u>1,372,000</u>	<u>(35,000)</u>	<u>1,347,000</u>
Total Proprietary Fund Debt					<u>\$1,932,000</u>	<u>\$ (40,000)</u>	<u>\$1,892,000</u>

The annual requirements to service all debt outstanding as of March 31, 2004, including interest of \$2,422,041, are as follows:

<u>Year Ending March 31,</u>	<u>General Long- Term Debt</u>	<u>Proprietary Fund</u>
2005	\$ 36,335	\$ 130,276
2006	92,468	128,364
2007	28,088	126,452
2008	27,803	125,513
2009	28,494	123,551
2010 and thereafter	<u>856,574</u>	<u>3,154,514</u>
	<u>\$ 1,069,762</u>	<u>\$3,788,670</u>

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables as of March 31, 2004 are as follows:

	<u>Receivable</u>	<u>Payable</u>
DUE TO AND FROM:		
GENERAL FUND	\$ 1,428	\$ -
TRUST & AGENCY FUND		
Tax Collection	<u>-</u>	<u>1,428</u>
Total	<u>\$ 1,428</u>	<u>\$ 1,428</u>

7. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 31 on the taxable assessed value listed as of the prior December 31. Taxes are levied December 31 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of Bay County and the school districts within the Township boundaries. Real property taxes not collected as of March 1 are turned over to Bay County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The assessed taxable value of real and personal property located in the Township as of December 31, 2003 totaled \$50,300,886 representing 50% of estimated actual value. The tax rates assessed for the year ended March 31, 2004 to finance General Fund operations was \$1.2073 per \$1,000 valuation.

Property taxes levied in December are recognized as revenue in the current fiscal year.

Taxes collected on behalf of the school districts and Bay County are turned over to the districts and the County immediately following collection and are accounted for in a designated agency fund.

PINCONNING TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

* * * * *

PINCONNING TOWNSHIP

**GENERAL FUND
BALANCE SHEET**

March 31, 2004

Assets	
Cash and cash equivalents	\$ 228,645
Taxes receivable	5,408
Due from other funds	1,428
Due from other governmental unit	<u>29,169</u>
Total assets	<u>\$ 264,650</u>
Fund equity	
Fund equity	
Fund balance:	
Unreserved	
Designated for subsequent year's expenditures	219,612
Undesignated	<u>45,038</u>
Total fund equity	<u>264,650</u>
Total liabilities and fund equity	<u>\$ 264,650</u>

PINCONNING TOWNSHIP

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE AMENDED BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes and collection fees	\$ 71,132	\$ 78,904	\$ 7,772
Licenses and permits	1,800	2,555	755
Intergovernmental revenues:			
State revenue sharing	163,827	189,517	25,690
Charges for services:			
Cemetery income	2,500	2,575	75
Impact fees	52,238	130,143	77,905
Newsletter ads	200	-	(200)
Administration fee	4,000	4,025	25
Land division fees	200	600	400
Total charges for services	59,138	137,343	78,205
Interest	1,000	950	(50)
Reimbursements	3,000	3,400	400
Other revenues	4,400	14,795	10,395
Total revenues	304,297	427,464	123,167
Expenditures	496,755	360,698	136,057
Revenues over (under) expenditures	(192,458)	66,766	259,224
Other financing sources (uses)			
Operating transfers out	(28,038)	(28,038)	-
Revenues over (under) expenditures and other uses	(220,496)	38,728	259,224
Fund balance, beginning of year	225,922	225,922	-
Fund balance, end of year	\$ 5,426	\$ 264,650	\$ 259,224

PINCONNING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Legislative			
Township Board:			
Salaries	\$ 4,068	\$ 4,068	\$ -
Office supplies	7,000	4,461	2,539
Postage	3,000	965	2,035
Travel	6,000	5,864	136
Education/convention	8,000	4,535	3,465
Consultants	9,267	6,767	2,500
Membership dues	2,000	1,969	31
Printing and publication	2,000	667	1,333
Utilities	10,000	5,832	4,168
Telephone	6,000	4,671	1,329
Maintenance	24,000	9,490	14,510
Miscellaneous	12,468	4,997	7,471
Total legislative	<u>93,803</u>	<u>54,286</u>	<u>39,517</u>
General government			
Supervisor:			
Salary	10,907	10,907	-
Assessor salary	10,395	7,970	2,425
Total supervisor	<u>21,302</u>	<u>18,877</u>	<u>2,425</u>
Audit fees	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Elections	<u>1,000</u>	<u>752</u>	<u>248</u>
Secretary:			
Salary	<u>14,560</u>	<u>13,953</u>	<u>607</u>
Attorney	<u>10,000</u>	<u>6,127</u>	<u>3,873</u>
Clerk:			
Salary	10,907	10,907	-
Deputy clerk salary	4,000	4,000	-
Total clerk	<u>14,907</u>	<u>14,907</u>	<u>-</u>
Board of review	<u>1,000</u>	<u>396</u>	<u>604</u>
Treasurer:			
Salary	10,907	10,907	-
Deputy treasurer salary	4,000	4,000	-
Tax rolls and supplies	6,000	5,485	515
Total treasurer	<u>20,907</u>	<u>20,392</u>	<u>515</u>
Cemetery	<u>7,500</u>	<u>5,372</u>	<u>2,128</u>
Total general government	<u>95,176</u>	<u>84,776</u>	<u>10,400</u>

PINCONNING TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
AMENDED BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Public Safety			
Police protection	\$ 1,200	\$ 1,000	\$ 200
Ambulance service	3,000	2,610	390
Fire protection contract	50,850	50,850	-
Inspection:			
Board of appeals wages	1,200	300	900
Zoning administrator	4,800	4,800	-
Total inspection	6,000	5,100	900
Zoning:			
Planning board	2,100	1,639	461
Planning consultant	500	-	500
Total zoning	2,600	1,639	961
Total public safety	63,650	61,199	2,451
Public works			
Department of public works:			
Street and area lighting	6,000	4,547	1,453
Contracted services	98,091	68,254	29,837
Total department of public works	104,091	72,801	31,290
Drains at large	5,000	674	4,326
Total public works	109,091	73,475	35,616
Recreation and cultural			
Contracted services	500	-	500
Other functions			
Payroll taxes	5,000	5,887	(887)
Insurance and bonds	8,117	8,117	-
Total other functions	13,117	14,004	(887)
Capital outlay	22,000	1,696	20,304
Debt service	99,418	71,262	28,156
Total expenditures	\$ 496,755	\$ 360,698	\$ 136,057

PINCONNING TOWNSHIP

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

March 31, 2004

Assets	Liquor Fund	Garbage Fund	Totals
Cash and cash equivalents	\$ 865	\$ 79,335	\$ 80,200
Taxes receivable	-	11,450	11,450
Investments	-	15,327	15,327
Total assets	\$ 865	\$ 106,112	\$ 106,977
Fund equity			
Fund balance - unreserved	\$ 865	\$ 106,112	\$ 106,977

PINCONNING TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Liquor Fund</u>	<u>Garbage Fund</u>	<u>Totals</u>
Revenues			
Special assessments	\$ -	\$ 100,260	\$ 100,260
Intergovernmental revenue	1,843	-	1,843
Interest	5	197	202
	<u>1,848</u>	<u>100,457</u>	<u>102,305</u>
Total revenues			
Expenditures			
Liquor inspections	2,072	-	2,072
Garbage collection	-	86,317	86,317
	<u>2,072</u>	<u>86,317</u>	<u>88,389</u>
Total expenditures			
Revenues over (under) expenditures	(224)	14,140	13,916
Fund balances			
Beginning of year	<u>1,089</u>	<u>91,972</u>	<u>93,061</u>
End of year	<u><u>\$ 865</u></u>	<u><u>\$ 106,112</u></u>	<u><u>\$ 106,977</u></u>

PINCONNING TOWNSHIP

**LIQUOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
AMENDED BUDGET AND ACTUAL**

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental revenue:			
State shared revenue	\$ 1,820	\$ 1,843	\$ 23
Interest	14	5	(9)
Total revenues	1,834	1,848	14
Expenditures			
Liquor inspections	1,834	2,072	(238)
Revenues over (under) expenditures	-	(224)	(224)
Fund balance, beginning of year	1,089	1,089	-
Fund balance, end of year	<u>\$ 1,089</u>	<u>\$ 865</u>	<u>\$ (224)</u>

PINCONNING TOWNSHIP

**GARBAGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
AMENDED BUDGET AND ACTUAL**

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Special assessments	\$ 97,000	\$ 100,260	\$ 3,260
Interest	500	197	(303)
 Total revenues	 97,500	 100,457	 2,957
 Expenditures			
Garbage collection	97,500	86,317	11,183
 Revenues over (under) expenditures	 -	 14,140	 14,140
 Fund balance, beginning of year	 91,972	 91,972	 -
 Fund balance, end of year	 <u>\$ 91,972</u>	 <u>\$ 106,112</u>	 <u>\$ 14,140</u>

PINCONNING TOWNSHIP

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
Current Tax Collection Fund				
Assets				
Cash and cash equivalents	<u>\$ 5,698</u>	<u>\$ 1,513,295</u>	<u>\$ 1,517,382</u>	<u>\$ 1,611</u>
Liabilities				
Due to other funds	\$ 5,698	\$ 228,874	\$ 233,144	\$ 1,428
Due to other taxing units				
Bay County	-	467,570	467,519	51
Pinconning Schools	-	165,168	165,078	90
Bay-Arenac Intermediate School District	-	229,647	229,622	25
Bay Metro Transportation	-	34,055	34,051	4
Delta College	-	115,819	115,807	12
State Education	-	293,356	293,355	1
Standish Schools	-	22,054	22,054	-
Total liabilities	<u>\$ 5,698</u>	<u>\$ 1,556,543</u>	<u>\$ 1,560,630</u>	<u>\$ 1,611</u>

**PINCONNING TOWNSHIP
SCHEDULE OF INDEBTEDNESS
March 31, 2004**

GENERAL LONG-TERM DEBT:	DATE OF	PRINCIPAL	INTEREST PAYABLE	
	MATURITY		APRIL 1	OCTOBER 1
Building Authority Loan				
A loan in the amount of \$500,000 was issued on				
August 21, 2000, with an annual interest rate of 4.75%.				
	04-1-05	\$ 6,000	\$ 11,400	\$ 11,258
	04-1-06	6,000	11,258	11,115
	04-1-07	6,000	11,115	10,973
	04-1-08	6,000	10,973	10,830
	04-1-09	7,000	10,830	10,664
	04-1-10	7,000	10,664	10,497
	04-1-11	7,000	10,497	10,331
	04-1-12	7,000	10,331	10,165
	04-1-13	8,000	10,165	9,975
	04-1-14	8,000	9,975	9,785
	04-1-15	8,000	9,785	9,595
	04-1-16	9,000	9,595	9,381
	04-1-17	9,000	9,381	9,168
	04-1-18	10,000	9,168	8,930
	04-1-19	10,000	8,930	8,693
	04-1-20	10,000	8,693	8,455
	04-1-21	11,000	8,455	8,194
	04-1-22	11,000	8,194	7,932
	04-1-23	12,000	7,932	7,648
	04-1-24	13,000	7,648	7,339
	04-1-25	13,000	7,339	7,030
	04-1-26	14,000	7,030	6,698
	04-1-27	15,000	6,698	6,341
	04-1-28	15,000	6,341	5,985
	04-1-29	16,000	5,985	5,605
	04-1-30	17,000	5,605	5,201
	04-1-31	18,000	5,201	4,774
	04-1-32	18,000	4,774	4,346
	04-1-33	19,000	4,346	3,895
	04-1-34	20,000	3,895	3,420
	04-1-35	21,000	3,420	2,921
	04-1-36	22,000	2,921	2,398
	04-1-37	23,000	2,398	1,853
	04-1-38	25,000	1,853	1,259
	04-1-39	26,000	1,259	641
	04-1-40	27,000	641	-
Total Building Authority General Obligation Limited Tax Bonds		480,000	264,695	253,295
Bank Loan				
A loan in the amount of \$75,000 was issued by Chemical Bank				
on November 22, 2000 with an annual interest rate of 5.91%.				
	11-1-04	3,872	3,805	-
	11-1-05	60,519	3,576	-
Total Bank Loan		64,391	7,381	-
TOTAL GENERAL LONG-TERM DEBT		\$ 544,391	\$ 272,076	\$ 253,295

(Continued)

PINCONNING TOWNSHIP
SCHEDULE OF INDEBTEDNESS (CONTINUED)
March 31, 2004

ENTERPRISE FUND:	DATE OF MATURITY	PRINCIPAL	INTEREST PAYABLE	
			MAY 1	NOVEMBER 1
Water Supply System Revenue Bonds, Series 2001 Bonds in the amount of \$555,000 were issued on November 1, 2001, with an annual interest rate of 5%.	05-1-04	\$ 5,000	\$ 13,625	\$ 13,500
	05-1-05	5,000	13,500	13,375
	05-1-06	5,000	13,375	13,250
	05-1-07	6,000	13,250	13,100
	05-1-08	6,000	13,100	12,950
	05-1-09	6,000	12,950	12,800
	05-1-10	7,000	12,800	12,625
	05-1-11	7,000	12,625	12,450
	05-1-12	7,000	12,450	12,275
	05-1-13	8,000	12,275	12,075
	05-1-14	8,000	12,075	11,875
	05-1-15	9,000	11,875	11,650
	05-1-16	9,000	11,650	11,425
	05-1-17	9,000	11,425	11,200
	05-1-18	10,000	11,200	10,950
	05-1-19	10,000	10,950	10,700
	05-1-20	11,000	10,700	10,425
	05-1-21	12,000	10,425	10,125
	05-1-22	12,000	10,125	9,825
	05-1-23	13,000	9,825	9,500
	05-1-24	13,000	9,500	9,175
	05-1-25	14,000	9,175	8,825
	05-1-26	15,000	8,825	8,450
	05-1-27	16,000	8,450	8,050
	05-1-28	16,000	8,050	7,650
	05-1-29	17,000	7,650	7,225
	05-1-30	18,000	7,225	6,775
	05-1-31	19,000	6,775	6,300
	05-1-32	20,000	6,300	5,800
	05-1-33	21,000	5,800	5,275
	05-1-34	22,000	5,275	4,725
	05-1-35	23,000	4,725	4,150
	05-1-36	24,000	4,150	3,550
	05-1-37	26,000	3,550	2,900
	05-1-38	27,000	2,900	2,225
	05-1-39	28,000	2,225	1,525
	05-1-40	30,000	1,525	775
	05-1-41	31,000	775	-
Total Water Supply System Revenue Bonds, Series 2001		<u>\$ 545,000</u>	<u>\$ 343,075</u>	<u>\$ 329,450</u>

(Continued)

PINCONNING TOWNSHIP
SCHEDULE OF INDEBTEDNESS (CONTINUED)
March 31, 2004

ENTERPRISE FUND (CONT.):	DATE OF MATURITY	PRINCIPAL	INTEREST PAYABLE	
			MAY 1	NOVEMBER 1
2001 Special Assessment Limited Tax Bonds				
Bonds in the amount of \$1,377,000 were issued on	05-1-04	\$ 35,000	\$ 31,991	\$ 31,160
November 1, 2001, with an annual interest rate of 4.75%.	05-1-05	35,000	31,160	30,329
	05-1-06	35,000	30,329	29,498
	05-1-07	35,000	29,497	28,666
	05-1-08	35,000	28,666	27,835
	05-1-09	35,000	27,835	27,004
	05-1-10	35,000	27,004	26,173
	05-1-11	35,000	26,172	25,341
	05-1-12	35,000	25,341	24,510
	05-1-13	35,000	24,510	23,679
	05-1-14	35,000	23,679	22,847
	05-1-15	35,000	22,847	22,016
	05-1-16	35,000	22,016	21,185
	05-1-17	35,000	21,185	20,354
	05-1-18	35,000	20,354	19,523
	05-1-19	35,000	19,523	18,691
	05-1-20	35,000	18,691	17,860
	05-1-21	35,000	17,860	17,029
	05-1-22	35,000	17,029	16,197
	05-1-23	35,000	16,197	15,366
	05-1-24	35,000	15,366	14,535
	05-1-25	36,000	14,535	13,680
	05-1-26	36,000	13,680	12,825
	05-1-27	36,000	12,825	11,970
	05-1-28	36,000	11,970	11,115
	05-1-29	36,000	11,115	10,260
	05-1-30	36,000	10,260	9,405
	05-1-31	36,000	9,405	8,550
	05-1-32	36,000	8,550	7,695
	05-1-33	36,000	7,695	6,840
	05-1-34	36,000	6,840	5,985
	05-1-35	36,000	5,985	5,130
	05-1-36	36,000	5,130	4,275
	05-1-37	36,000	4,275	3,420
	05-1-38	36,000	3,420	2,565
	05-1-39	36,000	2,565	1,710
	05-1-40	36,000	1,710	855
	05-1-41	36,000	855	
Total 2001 Special Assessment Limited Tax Bonds		<u>\$ 1,347,000</u>	<u>\$ 628,067</u>	<u>\$ 596,078</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

April 30, 2004

Members of the Township Board
Pinconning Township
Pinconning, Michigan

We have audited the general purpose financial statements of *Pinconning Township, Michigan* as of and for the year ended March 31, 2004, and have issued our report thereon dated April 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether *Pinconning Township, Michigan's* general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pinconning Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.